In sum, the central issues of United States treaty adherence and allocation of Executive, legislative and judicial powers in matters touching upon foreign affairs cannot be avoided by the (incorrect) suggestion that the section 43(a) issue is not directly presented.

## III. The IAC Issues Are Worthy of Review

Relying on the Court's denial of certiorari in *Havana Club Holding, S.A., v Galleon S.A.*, 203 F.3d 116 (2nd Cir.), *cert denied*, 531 U.S. 918 (2000), the United States argues for denial of review of Cubatabaco's General Inter-American Convention claims. Petitioner seeks relief under IAC Articles 7 and 8, which mandate cancellation of a registration and an injunction against use on a showing, made here, that a U.S. party adopted a mark with knowledge of a treaty national's pre-existing, confusingly similar foreign mark. Pet. 9, 98a-99a. In *Bacardi Corp. of America v. Domenech*, 311 U.S. 150 (1940), this Court held that these were self-executing treaty provisions, but the court below held that the Lanham Act, adopted shortly after the *Bacardi* decision, *implicitly* abrogates Articles 7 and 8. In a fundamental deviation from the governing principles, the court of appeals found treaty abrogation not on the basis of the Lanham Act's *text*, but exclusively on the court's reading of the *legislative history*. The Second Circuit's abrogation finding puts it in conflict with the TTAB, the principal forum for the resolution of registration disputes, which enforces Articles 7 and 8. *See British-American Tobacco Co. v. Phillip Morris Inc.*, 55 U.S.P.Q.2d 1585 (T.T.A.B. 2000).

The United States' reliance on *Havana Club* is misplaced. *Havana Club* did not concern Articles 7 and 8 at all, but other IAC provisions, and the TTAB's decision on Articles 7 and 8, *British-American*, was not even brought to the Court's attention. The *Havana Club* petition focused on the effect of the CACR and a recently enacted statute mandating non-recognition of confiscated Cuban trademarks (Section 211 of Pub. L. No. 104-114, 110 Stat. 785 (1998); neither the CACR nor Section 211 is

relevant to Cubatabaco's IAC claims, as all concede. The court of appeals held that Section 211, not the Lanham Act, abrogated the IAC provisions at issue in *Havana Club*. In addressing the Second Circuit's view that the Lanham Act either incorporated or abrogated pre-existing treaty rights, the petitioner in *Havana Club* failed to note the Second Circuit's doctrinal error that treaty abrogation could be found exclusively on the basis of legislative history. In short, the denial of certiorari in *Havana Club*, which has no precedential effect, does not suggest denial of certiorari here.

## CONCLUSION

For the reasons stated herein and previously, the petition for a writ of certiorari should be granted.

Dated: May 23, 2006

Respectfully submitted,

Burt Neuborne
40 Washington Square South
New York, NY 10012
(212) 998-6172

Michael Krinsky
*Counsel of Record*
David B. Goldstein
Christopher J. Klatell
Rabinowitz, Boudin, Standard,
Krinsky & Lieberman, P.C.
111 Broadway, 11th Floor
New York, NY 10006-1901
(212) 254-1111

*Attorneys for Petitioner*

5

No. 05-417



IN THE

# Supreme Court of the United States

EMPRESA CUBANA DEL TABACO, d/b/a CUBATABACO,

*Petitioner*,

—v.—

GENERAL CIGAR CO., INC., and GENERAL CIGAR HOLDINGS, INC.,

*Respondents*.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

## REPLY BRIEF FOR PETITIONER

MICHAEL KRINSKY
*Counsel of Record*
DAVID B. GOLDSTEIN
CHRISTOPHER J. KLATELL
RABINOWITZ, BOUDIN, STANDARD,
KRINSKY & LIEBERMAN, P.C.
111 Broadway, 11th Floor
New York, New York 10006
(212) 254-1111

BURT NEUBORNE
40 Washington Square South
New York, New York 10012
(212) 998-6172

*Counsel for Petitioner*

## TABLE OF CONTENTS



---

* Per rule 29.6, Petitioner makes reference to the corporate disclosure statement contained in its Petition, to which no amendments are necessary.

## TABLE OF AUTHORITIES

## I. The Court Should Review the Conflict Between the Court of Appeals and the Executive

The Executive has advised that the cancellation and injunctive relief ordered by the district court is consistent with the Executive's conduct of the embargo, required by treaty obligations to Cuba, and important to preserving the reciprocity essential to trademark relations with Cuba. The court of appeals nonetheless denied relief because Cubatabaco is an embargoed Cuban national, thereby placing the U.S. in violation of its acknowledged treaty obligations and frustrating the Executive's conduct of foreign affairs.

The court's result is based directly and necessarily on its rejection of the Executive's position that the Cuban Assets Control Regulations ("CACR") do not prohibit the ordered relief. Notably, General Cigar makes no argument that if the court and the Executive are in conflict on the CACR's interpretation—which they clearly are—then the court acted properly in refusing to defer, or that this refusal is unworthy of this Court's review. The Court's decisions leave no doubt as to the crucial importance of deference on embargo and foreign affairs matters.

General Cigar's attempt to shift the ground for the court's decision from disagreement with the Executive over the CACR to disagreement with the Executive's interpretation of the Lanham Act is plainly wrong. But even if General Cigar were correct that this case turns on a proper interpretation of the Lanham Act, the bottom line is the same: the court and the Executive wound up in direct conflict over whether U.S. treaty obligations and foreign policy goals vis-à-vis Cuba are to be respected. The Executive showed that the Lanham Act can, and therefore should, be harmonized with the CACR and U.S. treaty obligations to support the granted relief, consistent with this Court's edict that statutes be reconciled with international obligations where possible, including to avoid embarrassing the Executive in its conduct of foreign affairs.

The court of appeals' decision is undeniably fraught with international ramifications and complications for the conduct of U.S. foreign policy; General Cigar does not pretend otherwise.

The Executive recognized the implications of this case when it held "high-level" consultations that included the State Department and the Office of the Trade Representative before submitting its views. Pet. 4. Cuba has raised the issues of reciprocity and international obligations at the United Nations in strong terms.[1] *See also Amicus Curiae* Brief of the National Foreign Trade Council, filed December 2, 2005.

The Court should grant review to consider the Second Circuit's rejection of the Executive's position on the scope and effect of the Cuba embargo.

Petitioner also respectfully suggests that the Court, if in doubt, should request the views of the United States. Such a request would be consistent with the Court's practice at the petition stage in cases presenting foreign policy issues.[2]

## II. The Second Circuit's Refusal to Grant Deference on the Embargo Merits Review

After grand protestations that the Second Circuit agreed fully with the Executive on the CACR, General Cigar expressly concedes, as it must, that the court in fact rejected the Executive's position. *See* Brief In Opposition ("Opp.") 16 n.10. Whereas the

---

[1] *Report of Cuba on United Nations General Assembly Resolution 59/11*, dated 15 August 2005, UNGAOR, 60th Sess., at 16, U.N. Doc. A/60/280: the Second Circuit decision "ignore[s] the international obligations of the United States. . . . Cuba warns the international community" that for the U.S. "to usurp on its territory Cuban trademarks which are widely recognized internationally and protected by international conventions . . . could give rise to a climate of uncertainty and the questioning of these rights, with real consequences" for "companies within the United States."

[2] Notably, it was at the Court's initiative that the Executive expressed its views at the petition stage in *Banco Nacional de Cuba v. Sabbatino*, 371 U.S. 907 (1962); 376 U.S. 398 (1964), which largely concerned the potential for judicial embarrassment of the Executive's conduct of foreign affairs vis-à-vis Cuba. *See, also, e.g., Ministry of Defense and Support for the Armed Forces of the Islamic Republic of Iran v. Elahi*, 125 S.Ct. 1929 (2005); *El Al Israel Airlines Ltd. v. Tseng*, 522 U.S. 947 (1997); *Citibank, N.A. v. Wells Fargo Asia Ltd.*, 490 U.S. 1018 (1989).

Executive stated that "the Regulations do not prohibit the cancellation of General Cigar's mark and the district court's order enjoining General Cigar from using the COHIBA mark" (74a), the Second Circuit held that "to obtain cancellation of General Cigar's mark and an injunction barring General Cigar from using the mark in the United States . . . would entail a transfer of property rights . . . in violation of the embargo" (19a). The court's rejection of the Executive's position on this point raises fundamental separation of powers and deference concerns.

General Cigar seeks to minimize the significance of the Second Circuit's refusal of deference on the CACR, contending instead that the court's decision rests on its disagreement with the Executive's construction of the Lanham Act. The Second Circuit, however, expressly stated that its contrary view of the CACR is the basis for its decision:

> There is no doubt that granting this relief [the injunction against General Cigar's use of COHIBA] would entail a transfer from General Cigar to Cubatabaco of a 'right, remedy, power, privilege or interest with respect to the [the COHIBA mark].' 31 C.F.R. § 515.310. As it is exactly this brand of property right transfer that the embargo prohibits, we cannot sanction a grant of injunctive remedy to Cubatabaco in the form of the right, privilege, and power to exclude General Cigar from using its duly registered mark (29a-30a).

Neither the Second Circuit nor General Cigar *ever* explained why cancellation, which the Executive says is *licensed*, violates the embargo. Pet. 7-8.

If the court had accepted the Executive's position that cancellation and injunctive relief do not violate the CACR, then the court's dismissal of Cubatabaco's claims would have been unwarranted unless they are *otherwise* defective under the substantive law. But the court of appeals did not identify any such flaw, and so its dismissal of Cubatabaco's claims must rest on the court's contrary construction of the CACR.

The court's treatment of Cubatabaco's two claims for relief, presented in the alternative, further demonstrates as much.

(a) Cubatabaco seeks relief under sections 44(b) and (h) of the Lanham Act, which, Cubatabaco maintains, incorporate Article 6*bis* of the Paris Convention (35a-37a). On its face, Article 6*bis* requires only a showing of fame and confusion—both present here—for the holder of a foreign trademark to obtain cancellation and injunctive relief. The Executive agrees that nothing more is required by Article 6*bis* (71a-72a). The Second Circuit found that Cubatabaco "may be correct" that sections 44(b) and (h) incorporate Article 6*bis*, and proceeded on that assumption (37a). Thus, the basis for the court's rejection of this claim was the court's disagreement with the Executive over the CACR. Indeed, the court expressly stated it was rejecting the claim because the CACR "do not permit Cubatabaco to acquire the power to exclude General Cigar from using the mark . . . " (38a).

(b) Cubatabaco alternatively seeks relief under section 43(a). As the Executive explained, a section 43(a) claim "[m]ost commonly" involves "infringement of rights in a mark acquired by use" (69a), "but the conclusion that Cubatabaco acquired the U.S. rights to the COHIBA trademark . . . is prohibited" by the CACR (68a). The "remaining question" is thus whether the cancellation and injunction orders "are rendered invalid because they are *dependent* upon . . . the acquisition of the [U.S.] COHIBA trademark" (68a) (emphasis supplied). The Executive's answer was no, based on its analysis of section 43(a) (70a).

If, as General Cigar suggests, the court of appeals had disagreed with the Executive about section 43(a), rather than about the embargo, the court would have held that section 43(a) relief *is* "dependent" upon acquisition of a U.S. trademark. But the court did *not* so hold, and for good reason: Neither the text nor the case law requires that Cubatabaco own a U.S. trademark in order to obtain relief under section 43(a), as the Executive demonstrated (68a-73a).

Instead, the court fell back on its differences with the Executive over the embargo. Whereas the Executive maintains that "the cancellation of the trademark registrations and the enjoin-

ing of General Cigar from using the mark are not prohibited by the Regulations" (68a), the court held that those orders would "effect" and "entail" a "transfer of property rights"—*i.e.*, a transfer of the "right to exclude"—in "violation of the embargo" (29a). In other words, the court concluded that any injunction against General Cigar's use of COHIBA, even if obtained under the unfair competition theory urged by the Executive and Cubatabaco, would necessarily deprive General Cigar of the "right to exclude," while granting the same right to Cubatabaco. The court deemed that result a "transfer" of "property" for purposes of the embargo (35a); the Executive, looking at the same transaction, deemed it not to be.

General Cigar also half-heartedly attempts to convert this into a simple controversy over the Lanham Act by declaring that the point of dispute—whether or not the cancellation and injunction orders effected a "transfer of property rights" in violation of the embargo—is a Lanham Act question, not a CACR question, on which the court was "free" to disagree with the Executive. Opp. 16 n.10, 24. But what constitutes a "transfer" of "property" in which a Cuban national has an "interest" *for purposes of the embargo* is determined by the CACR and the Executive. Pet. 3-5, 12-14. The Second Circuit's refusal to defer on this pure CACR issue warrants review.

Had the Second Circuit actually held that it could reject the Executive's conclusion here of what constitutes a "transfer" of "property" for CACR purposes on the basis of external sources of law, that decision would be equally radical, and also merit the Court's review. If, for example, the Second Circuit had considered the cancellation and injunction orders equivalent to the award of a trademark from a Lanham Act perspective, this would not foreclose the Executive from distinguishing the cancellation and injunction orders for embargo purposes, as it has done. *See* Pet. 19-21. The ordered relief is what it is, and the Executive has concluded that it does not violate the CACR. To hold that the Executive is bound by Lanham Act concepts in its construction of the CACR would handcuff the President's authority to conduct the embargo and define its terms and would

split with all precedent, which explicitly confirms that authority. Pet. 12-15 & n.3. Indeed, the reason CACR determinations are committed to the Executive is so that complex and nuanced *policy* considerations can be taken into account, as they were here. Pet. 12, 15, 18-22.

## III. Any Failure to Harmonize the Lanham Act with Treaty Obligations, as Urged by the Executive, Would Merit Review

1. General Cigar's effort to recast this case as a purely domestic-law dispute *additionally* fails because the court below was *required* in construing section 43(a) to take into account international obligations and the Executive's foreign policy concerns pursuant to the *Charming Betsy* doctrine. *Murray v. Charming Betsy*, 6 U.S. (2 Cranch) 64, 118 (1804) ("an act of congress ought never to be construed to violate the law of nations if any other possible construction remains"). The Court has regularly invoked the *Charming Betsy* doctrine to avoid construing legislation so as to place the United States in violation of its international obligations. *See, e.g., Sale v. Haitian Ctrs. Council*, 509 U.S. 155, 178 n.35 (1993); *Weinberger v. Rossi*, 456 U.S. 25, 32 (1982); *Hartford Fire Ins. Co. v. California*, 509 U.S. 764, 814-15 (1993) (Scalia, J., dissenting).

The Executive identified the U.S.'s international legal obligations to Cuba under Article 6*bis*, and expressly urged a construction of section 43(a) that would bring the U.S. into compliance with those obligations (66a-67a, 71a-72a). As the Executive notes, to comply with Article 6*bis* the United States must "cancel the registration, and [ ] prohibit the use," of General Cigar's COHIBA mark, even though Cubatabaco does not own a U.S. trademark (66a). This interpretation accords with the treaty's plain text, and, as the Executive's official position, is itself entitled to great weight. *See* Pet. 27.

Thus, the statutory question for the court of appeals was whether it is *possible* to construe section 43(a) consistently with the United States' Article 6*bis* obligation. This *Charming Betsy* mandate is particularly compelling here, where the Executive

presented its view of the U.S. treaty obligation, outlined foreign policy objectives, *and* gave the court guidance as to how the Act and the treaty could be "harmonize[d]" (71a). Indeed, it is just such " 'highly charged international circumstances' " as here—which combine the Cuba embargo, treaty obligations, and protection of U.S. trademark interests in Cuba—that particularly "call[ ] for adherence to the [*Charming Betsy's*] interpretive guide." *Spector v. Norwegian Cruise Line Ltd.*, 125 S.Ct. 2169, 2185 (2005) (Ginsburg, J., concurring in part and in the judgment) (quoting *McCulloch v. Sociedad Nacional de Marineros de Honduras*, 372 U.S. 10, 20 (1963)).

2. The Executive's construction of section 43(a) "harmonizes the Act with Article 6*bis*" by recognizing that, like Article 6*bis*, section 43(a) does not require trademark ownership, and provides relief to owners of well-known *foreign* marks if they can demonstrate their standing and consumer confusion.

As the Executive demonstrates (68a-71a), section 43(a)'s text is more than broad enough to encompass the Executive's construction. Section 43(a)(1)(A) provides relief to "any person . . . likely to be damaged" by the use of any "word, term, name, symbol or device" that is "likely to cause confusion." The Court noted in *Dastar Corp. v. Twentieth Century Fox Film Corp.*, 539 U.S. 23, 32 (2003), that this language cannot be limited to trademark infringement (neither the word "trademark" nor the word "infringement" appears in the statutory text), but instead "prohibits actions *like* trademark infringement that deceive consumers and impair a producer's goodwill." *Id.* at 32. Nor does the text of section 43(a) prohibit relief against a party that has itself used or registered a mark.

It would be incongruous in the extreme with *Charming Betsy* to infer a non-textual requirement that would frustrate the United States' commitment to fulfilling its Article 6*bis* obligations to Cuba. The Executive specifically warned against doing so (72a), and additionally showed that the decisional law is not at odds with its proferred construction (69a-74a).

3. Underlying the court's discussion of section 43(a) is its concern that it was being asked to "turn the law of trademark

on its head" and perform "acrobatics" by treating Cubatabaco's unfair competition claim differently from its trademark infringement claim for embargo purposes. Opp. 10 (34a). In the view of some, Article 6*bis* *does* turn the law of trademark on its head in certain circumstances, but the *Charming Betsy* doctrine sometimes requires acceptance of statutory constructions that would not otherwise be adopted. The United States acceded to Article 6*bis* and TRIPs based on the determination that it is in the U.S.'s interest to have famous marks protected internationally, even if U.S. parties who *normally* would have unrestricted rights thereby become subject to cancellation and injunction orders. That the Executive believes Article 6*bis*/43(a) relief to be available under the embargo, even though trademark infringement under section 43(a) is not, simply acknowledges this decision.

## IV. Review Is Warranted to Address the Court's Finding of Treaty Abrogation Contrary to the Executive's Position

General Cigar recognizes that the court's interpretation of the embargo places it in direct conflict with the Executive's recognition of Article 6*bis* treaty obligations. *See* Opp. 22 ("if Article 6*bis* does require a cancellation and injunction order in this case [the Executive's position, 71a-72a], it is abrogated to that extent by the Embargo [the court's position, 38a]"). Because the treaty prevails over the CACR standing alone, *see* Pet. 23-24, the court of appeals considered whether the LIBERTAD Act abrogated Article 6*bis*.

The court of appeals found abrogation despite the Executive's advice that Article 6*bis* remains in effect with respect to Cuba and should be observed. This Court has consistently granted review in those rare cases when the lower courts have found abrogation of a treaty that the Executive contends is in effect. *See* Pet. 22-23. General Cigar fails to cite a single case in which a court found treaty abrogation over the Executive's objection and was upheld.

General Cigar argues that the court's "asserted error" was merely a "misapplication" of law. Opp. 21. But General Cigar's arguments that the LIBERTAD Act "clearly expressed" a congressional purpose to abrogate the treaty, as required by, *inter*